

## **Senate Bill No. 418**

### **CHAPTER 549**

An act to amend Sections 19460, 19461, 19462, 19469 and 19470 of, to amend the heading of Article 2 (commencing with Section 19460) of Chapter 5 of Part 2 of Division 10 of, to add Section 19471 to, and to repeal Chapter 10 (commencing with Section 19850) of Part 2 of Division 10 of, the Welfare and Institutions Code, relating to rehabilitation services, and making an appropriation therefor.

[Approved by Governor October 5, 2005. Filed with  
Secretary of State October 5, 2005.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

SB 418, Escutia. Rehabilitation loans.

Existing law creates the Rehabilitation Revolving Loan Guarantee Fund, administered by the Department of Rehabilitation, which is appropriated without regard to fiscal years for the purpose of guaranteeing loans to persons for the purchase of vans, automobiles, and other special equipment to facilitate transportation of the physically handicapped and to assist private employers and employees and other persons with disabilities to purchase adaptive aids and assistive devices.

Under existing law, one of the categories of persons eligible to receive loans under this fund is persons with disabilities who require a modified vehicle for mobility and who are ineligible for vocational rehabilitation services or who are eligible for vocational rehabilitation services but have been placed on the department's order of selection waiting list, subject to the requirement that the person be employed and require a vehicle to maintain that employment.

This bill would delete these vocational rehabilitation and employment requirements for eligibility under the fund. By eliminating these conditions of eligibility, and thus expanding the eligibility for persons who may receive loans under this continuously appropriated fund, the bill would make an appropriation.

Existing law establishes a supported employment loan guarantee program to assist employers and employees with disabilities to purchase durable equipment, adaptive aids, and assistive devices in order to engage in supported employment. Existing law also creates within the Rehabilitation Revolving Loan Guarantee Fund a Supported Employment Revolving Loan Guarantee Account from which the department makes these loan guarantees.

This bill would eliminate this account and instead would make loans available directly from the fund to parents of a child with, or persons with, a disability who require assistive technology, as defined, that is necessary for independent living. The bill would require that loans made pursuant to

these provisions provide for a security interest to the lending institution in the equipment, aids, and devices for which the loan is made, to the extent possible. It would also make various technical and conforming changes.

Existing law prohibits any loan exceeding \$35,000 from being made to any eligible persons under the above provisions.

This bill would instead require that loans made to any eligible person not exceed \$50,000.

Existing law requires the department to adopt regulations not inconsistent with these provisions, that, among other things, establish criteria for determining eligibility for loans in the guarantee program that ensure that applicants have the ability to repay loans. Existing law, in the event that the amount of loans applied for under these provisions exceeds the amount of the loans that may be guaranteed, authorizes the department to establish a system of priorities for the approval of loans.

This bill would require the department to adopt regulations that give preference to those applicants not receiving other supports and services from the department.

Existing federal law provides for the award of grants to states to pay for the federal share of the cost of the establishment and administration of, or the expansion and administration of, an alternative financing program featuring one or more alternative financing mechanisms to allow individuals with disabilities and their family members, guardians, advocates, and authorized representatives to purchase assistive technology devices and assistive technology services. State eligibility for participation in this program is based on the state's previous award of continuity grants for technology-related assistance and other requirements including that the state enter into a contract with a community-based organization that has individuals with disabilities involved in organizational decision making at all organizational levels for purposes of administering the federal alternative financing program.

This bill would authorize the department to apply for the federal grant funding and to enter into a contract with a community-based organization for purposes of receiving a federal grant award under this program. The bill would permit moneys in the fund to be used for purposes of matching these federal grant funds, thereby making an appropriation.

This bill would also require that any federal funds received be deposited in the Rehabilitation Revolving Loan Guarantee Fund, thereby making an appropriation.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. The heading of Article 2 (commencing with Section 19460) of Chapter 5 of Part 2 of Division 10 of the Welfare and Institutions Code is amended to read:

Article 2. Transportation and Assistive Technology Loan Guarantees

SECTION 1. Section 19460 of the Welfare and Institutions Code is amended to read:

19460. (a) There is in the State Treasury a permanent revolving fund to be known as the Rehabilitation Revolving Loan Guarantee Fund, and to be administered by the department. The money deposited in the fund, including, but not limited to, money in any previously established account within the fund, is hereby appropriated, without regard to fiscal years, for the purposes of this article. The fund shall be used to guarantee loans made by eligible lenders to eligible persons for the purchase of vans, automobiles, and other special equipment to facilitate transportation of individuals with disabilities, and to assist private employers and employees, and other persons regardless of age, with disabilities to purchase assistive technology in order to live more independently or to engage in employment, including, but not limited to, supported employment as defined and determined by the department.

(b) Nothing in this section shall be construed to abrogate the requirement that employers comply with reasonable accommodations and related responsibilities pursuant to federal and state laws. Nothing in this section shall be construed to prevent a loan guarantee for individuals with disabilities who have previously received vocational rehabilitation services and who wish to obtain a loan to purchase newly developed assistive technology or to replace worn or obsolete assistive technology.

(c) In determining eligibility for a loan guarantee from this account, the department shall make any loan guarantee contingent upon a determination that the person or the family of a child reasonably can be expected to repay the loan based on the person's or family's expected income or other resources.

(d) To the extent possible, loans made pursuant to this chapter shall provide for a security interest to be given the lending institution in the vehicle or assistive technology for which the loan is made.

SEC. 2. Section 19461 of the Welfare and Institutions Code is amended to read:

19461. As used in this article, the following definitions apply:

(a) "Department" means the Department of Rehabilitation.

(b) "Eligible persons" means any of the following, provided that household income does not exceed the level prescribed for moderate-income families by the Department of Housing and Community Development pursuant to Section 50093 of the Health and Safety Code:

(1) Parents of a child with a disability who has been certified by a physician or the department as having a disability, who is living in the home, and who requires a modified vehicle for mobility.

(2) A person with a disability who has been certified by a physician or the department as having a disability, and who requires a modified vehicle for mobility.

(3) Parents of a child with a disability who has been certified by a physician or the department as having a disability, who is living in the home, and who requires assistive technology, including evaluation and training in the use of an assistive technology device, which is necessary for independent living.

(4) A person with a disability who has been certified by a physician or the department as having a disability, and who requires assistive technology, including evaluation and training in the use of an assistive technology device, which is necessary for independent living.

(c) “Eligible lender” means a financial institution organized, chartered, or holding a license or authorization certificate under a law of this state or the United States to make loans or extend credit and subject to supervision by an official or agency of this state or the United States.

(d) “Assistive technology” means any item, piece of equipment, or product system, whether acquired commercially, modified, or customized, that is used to increase, maintain, or improve functional capabilities of individuals with disabilities, and any service that directly assists an individual with a disability in the selection, acquisition, or use of the item, equipment, or product system.

SEC. 3. Section 19462 of the Welfare and Institutions Code is amended to read:

19462. The department shall serve as a state loan guarantee agency to guarantee loans and to administer a guaranteed loan program established pursuant to this article. The department shall guarantee any loan made pursuant to this article at 100 percent of the total amount of principal and interest of the loan in default. The department shall establish the ratio of reserve funds to loans outstanding. The effective interest rate to the borrower shall be a percent per annum, which is less than the fair market interest rate at the time the loan guarantee request is considered by the department, and which is based upon the ability of the borrower to pay, as determined by the department. When an application for a loan guarantee is approved by the department, the differential interest between the percent per annum approved by the department and the rate charged by the participating lender shall be prepaid by the department to the participating lender out of the Rehabilitation Revolving Loan Guarantee Fund. If the borrower defaults on any loan guaranteed by this program, the participating lender shall reimburse the department for any interest not accrued, after deduction for any unavoidable loss suffered by the lender.

SEC. 4. Section 19469 of the Welfare and Institutions Code is amended to read:

19469. No loan in excess of fifty thousand dollars (\$50,000) shall be made to any eligible person pursuant to this article.

SEC. 5. Section 19470 of the Welfare and Institutions Code is amended to read:

19470. The department shall adopt regulations not inconsistent with this article that, among other things, shall establish criteria for determining

eligibility for loans in the guarantee program that ensure that the applicants have the ability to repay the loans

SEC. 6. Section 19471 is added to the Welfare and Institutions Code, to read:

19471. (a) The department may apply for a federal grant award through the federal alternative financing program established pursuant to subparagraph (D) of paragraph (2) of subsection (b) of Section 3003 of Title 29 of the United States Code and may use funds in the Rehabilitation Revolving Loan Guarantee Fund, established pursuant to Section 19460, as the match for these federal grant funds. The department may comply with applicable federal grant requirements, including, to the extent required, contracting with a community-based, nonprofit organization that has individuals with disabilities involved in the organization decisionmaking at all organizational levels, to administer the alternative financing program.

(b) The department may do all of the following:

(1) Select a community-based organization with which to contract based upon consideration of criteria, including, but not limited to, the organization's sound fiscal condition and internal controls.

(2) Monitor and audit performance by the organization under the contract to minimize the risk of loss to the loan guarantee program of loan defaults.

(3) Terminate the contract in the event the department determines that the organization has not complied with the contract terms or has not prudently administered the loan guarantee funds.

(c) Moneys received from a federal alternative financing grant shall be deposited in the Rehabilitation Revolving Loan Guarantee Fund established pursuant to Section 19460, and the federal funds and state matching funds shall be administered by the department and, as set forth in subdivision (a), by a community-based organization through a contract with the department, for the purpose of providing loan guarantees consistent with this article and applicable federal grant requirements.

(d) To the extent that state funds in the Rehabilitation Revolving Loan Guarantee Fund are not used to fund the alternative financing program, the department shall administer any remaining money in the fund consistent with the provisions of this article, and may enter into contracts with any public or private entity for the provision of services relating to the administration of the loan guarantee program.

(e) No more than 10 percent of the fund, excluding funds held in reserve pursuant to Section 19462, per fiscal year, may be used for costs of administration of the loan guarantee program, including administrative costs incurred by the department and any contractor.

SEC. 7. Chapter 10 (commencing with Section 19850) of Part 2 of Division 10 of the Welfare and Institutions Code is repealed.